

ORDINANCE NO. 9 SERIES 2014-2013
CITY OF LAGRANGE, KENTUCKY

MODIFYING §§ 52.58, 52.60 and 52.73 CONCERNING SEWER RATES

Whereas, the City Council of the City of LaGrange, Kentucky, has the authority pursuant to statute to enact Ordinances relating to the City, and

Whereas, it has become necessary to increase sewer rates due to ~~increasing overhead expansion and improvement of the present system~~, and

Whereas, it is therefore necessary that certain terms be amended in the existing ordinance concerning sewer rates:

THEREFORE BE IT ENACTED AND ORDAINED THAT CONCERNING §§ 52.58, 52.60 and 52.73 CONCERNING SEWER RATES BE MODIFIED AS FOLLOWS:

§ 52.58 TAPPING FEES; PORTABLE METER RENTAL INSIDE CITY LIMITS.

(A) Installation. Charges for sewer taps will be calculated by using a capacity charge factor, based on the water meter size and its flow capacity, a 5/8 or 3/4 meter will have a capacity factor of one. Customers requiring a larger meter will pay, based on a capacity factor multiplied by the base.

Meter Size	Capacity Factor	Tap Fee
5/8 or 3/4	1	\$2,500 Base Fee
1" Disc	2.8	\$7,000
1 1/2" Disc	4.8	\$12,000
2" Compound	8	\$20,000
3" Compound	18	\$45,000
4" Compound	40	\$100,000
6" Compound	80	\$200,000
2" Turbine	10	\$25,000
3" Turbine	22	\$55,000
4" Turbine	50	\$125,000
6" Turbine	100	\$250,000
8" Turbine	180	\$450,000

Multi-family units, apartments, condos, will pay the base tap fee multiplied by 1 for three bedroom, 3/4 for two bedroom and 1/2 for one bedroom unit times the total number of units regardless of the water meter size.

All out of city customers will pay an additional 25% on sewer rates and charges.

(B) Rental. The following rules and charges are adopted for renting portable hydrant meter and wrench:

(1) A deposit of one hundred dollars (\$100.00) shall be paid when said meter is picked up, twenty-five dollars (\$25.00) of which shall be refunded if the meter is returned in good condition (exception – by Director, by occurrence);

(2) The rental period shall be for seven (7) days after which a penalty of five dollars (\$5.00) per day for the second week, increasing in the amount of five dollars (\$5.00) per day for each week thereafter – (exception – by Director);

(3) Water charges shall be calculated at a rate of ~~two-four~~ ^{eighty five} dollars and ~~fifty-sixtyseveny-three~~ cents (~~\$2.504.604.85~~) per one thousand (1,000) gallons and is payable upon return of the meter;

(4) The renter of said meter shall execute a written agreement whereby he or she agrees to relinquish said meter on demand of the Utilities Commission and that other pertinent provisions be included in said agreement at the discretion of the Director. Implementation of the above arrangement shall begin with the next rental of said meter and that all individuals receive written notifications of the above regulations.

(Ord. 1-83, passed 2-7-1983; Am. Ord. 8-85, passed 10-21-1985; Am. Ord. 18-94, passed 11-7-1994; Am. Ord. 4-2000, passed 6-5-2000; Am. Ord. 21-2004, passed 12-20-2004; Am. Ord. 16-2005, passed 8-1-2005; Am. Ord. 22-2006, passed 10-1-2006)

§ 52.60 ANNUAL RATE INCREASE AND OUT OF CITY CHARGES.

A two and a half percent (2.5%) increase or less as determined by the Commission, by inclusion in the annual Utility Commission budget approved by the city, will be added each year to the water and sewer rate charges as set forth in this chapter. All out of city customers will pay an additional twenty five percent (25%) on charges other than monthly services. Any additional increases beyond the two and a half percent (2.5%) must be approved by the City Council. (Ord. 16-2005, passed 8-1-2005; Am. Ord. 22-2006, passed 10-1-2006)

§ 52.73 RATES AND SURCHARGES.

(A) Sewer Rate Schedule. The following schedule of rates shall apply to each user of the sewage treatment system. This schedule includes rates for ~~OM&R charges-operation, maintenance, replacement and rates for~~ debt service charges, each based on the volume of metered or estimated water consumption. The rates for normal monthly billings for sewer service shall be determined on the basis of each user's metered water consumption. Subject to modification pursuant to §52.60 the rate for sewer service to be furnished by the city to customers inside the city corporate limits shall be as follows:

Sewer – Residential Only

Minimum Bill	\$7.858.779.71
First 1,000 gallons	\$2.052.54 per 1,000 gallon
Next 1,000 gallons	\$2.512.80 3.10 per 1,000 gallon

Next 13,000 gallons	\$3.61 <u>\$4.03</u> 4.46 per 1,000 gallon
All over 15,000 gallons	\$2.63 <u>\$2.94</u> 3.25 per 1,000 gallon

Sewer – Industrial/Commercial/Multi-Family/Apartments

Minimum Bill	
<u>5/8 or 3/4</u>	\$7.50 11.62
<u>1</u>	\$17.43
<u>1-1/2</u>	\$29.06
<u>2</u>	\$58.12
<u>3</u>	\$116.24
<u>4 or larger</u>	\$174.36
<u>Volume Charge per 1,000 gallons</u>	\$4.41 per 1,000 gallons
Wastewater Treatment Charge per 1,000 gallons	\$2.96 per 1,000 gallons
Surcharge for rainfall induced infiltration/inflow	\$0.82 per 1,000 gallons
Surcharge for rainfall induced inflow/infiltration	\$0.82 /1,000 gallons

Multi-family units, condominiums and apartments will be considered commercial for monthly sewer billing charges.

All out of city customers will pay an additional ten-twenty five percent (1025%) on sewer services fees, rates and charges.

~~-(B) Surcharges-~~

~~-(1) In the event that the Utility Commission shall permit a user to discharge wastes to the sewage works having an average biochemical oxygen demand (BOD) content in excess of three hundred (300) mg/l and/or an average suspended solids (SS) content in excess of three hundred (300) mg/l and/or an average ammonia nitrogen (NH3-N) content in excess of thirty (30) mg/l, the user shall pay a surcharge based upon the excess strength of its wastes. Surcharges shall be billed in addition to charges for domestic level flows. Surcharges may either be billed separately or shown separately on the normal monthly sewer bill.~~

~~-(2) The following surcharge rates shall apply to each user of the sewage works that has received permission from the Director to contribute excessive strength sewage:~~

SURCHARGE RATES

Parameter	Rate
BOD	\$.20/lb.
SS	\$.20/lb.
NH3-N	\$.80/lb.

~~(2) The excessive strength surcharge shall be based on the following formula, with the total applied to the monthly bill of affected users:~~

$$\text{[Aa(Dd-300) + Bb(Ee-300) + Cc(Ff-300)]} \times 0.00834 \times \text{X} \times \text{Gg} = \text{Surcharge Payment}$$

~~Where formula components are as follows:~~

~~(a) Surcharge rate for BOD, in \$/pound~~

~~(b) Surcharge rate for SS, in \$/pound~~

~~(c) Surcharge rate for NH₃-N, in \$/pound~~

~~(d) User's average BOD concentration, in mg/l~~

~~(e) User's average SS concentration, in mg/l (f) User's average NH₃-N concentration, in mg/l~~

~~(g) User's monthly flow to sewage works in gallons divided by 1,000 gallons~~

~~(C) No reduction in sewage service charges, fees, or taxes shall be permitted because of the fact that certain wastes discharged to the sewage works contain less than three hundred (300) mg/l of BOD, three hundred (300) mg/l of SS, or thirty (30) mg/l of NH₃-N. The formula for surcharges may not be construed to generate a negative charge either in any part or in total.~~

~~(D) Each user shall be notified, at least annually, in conjunction with a regular bill of the rate and that portion of the total charge, which is attributable to operations and maintenance of the system.~~

~~(Ord. 18-95, passed 1-2-1996; Am. Ord. 4-2000, passed 6-5-2000; Am. Ord. 21-2004, passed 12-20-2004; Am. Ord. 16-2005, passed 8-1-2005)~~

This Ordinance shall become effective upon its passage and publication.

First Reading: _____

Second Reading: _____

MAYOR
CITY OF LAGRANGE, KENTUCKY

ATTEST:

CITY CLERK
CITY OF LAGRANGE

VOTE:

FOR: _____

AGAINST: _____

ABSTAINED: _____

LaGrange
Utilities
Commission

July

2013

Proposal to increase sewer rates by 8%

Sewer Rate
Increase

LAGRANGE UTILITIES COMMISSION

Proposal to Increase Sewer Rates

July 2013

On April 8, 2013 the LaGrange Utilities Board of Commissioners approved to increase current sewer rates by 8% for which City Council approval is necessary. This rate increase is necessary to cover principal and interest payments on the \$4.63 million loan with Kentucky Rural Finance Corporation to increase wastewater treatment facility capacity and pump station and interceptor sewer improvements to eliminate sanitary sewer overflows, all mandated by the Kentucky Division of Water.

It is requested that the rate increase become effective as soon as it is approved by City Council. The last substantial change in sewer rates was July 2, 2012 when a 9% increase was approved. This proposed rate increase will impact LUC residential sewer customers as indicated below.

Residential Sewer Rates (\$/1,000 gal.)

	<u>Current</u>	<u>Proposed</u>
Minimum charge	8.99	9.71
First 1,000	2.35	2.54
Next 1,000	2.87	3.10
Next 13,000	4.13	4.46
Over 15,000	3.01	3.25

Based on records for the previous year, a typical residential customer uses 4,500 gallons of water per month. A comparison of current and proposed sewer bill is given below.

Sewer Portion of Typical Residential Customer Bill

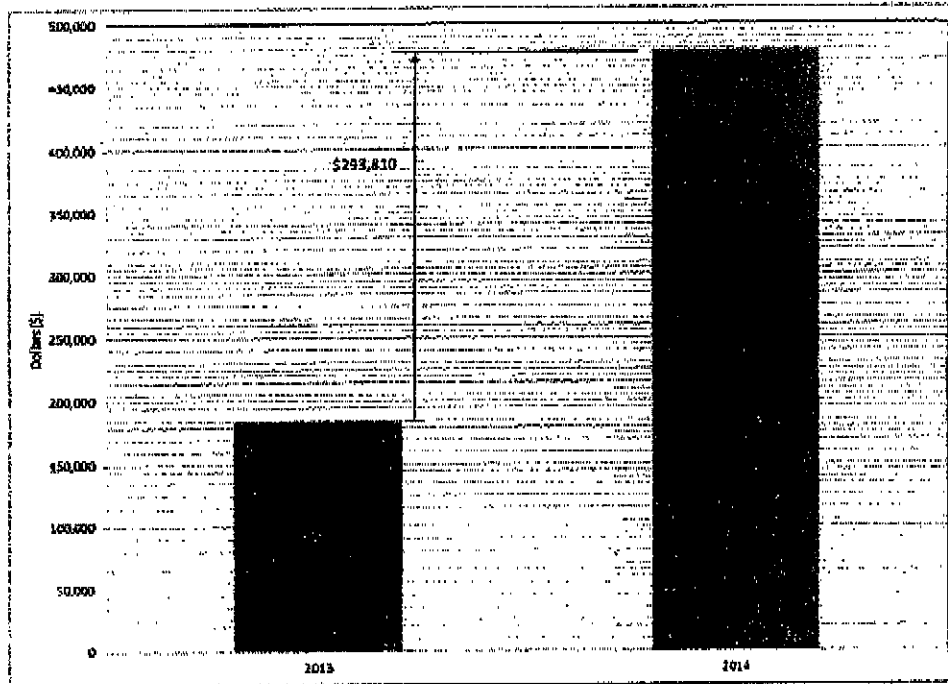
Monthly sewer bill: Currently: \$24.54 Proposed: \$26.50

Sewer bill Increase: \$1.96 per month or \$23.52 per year

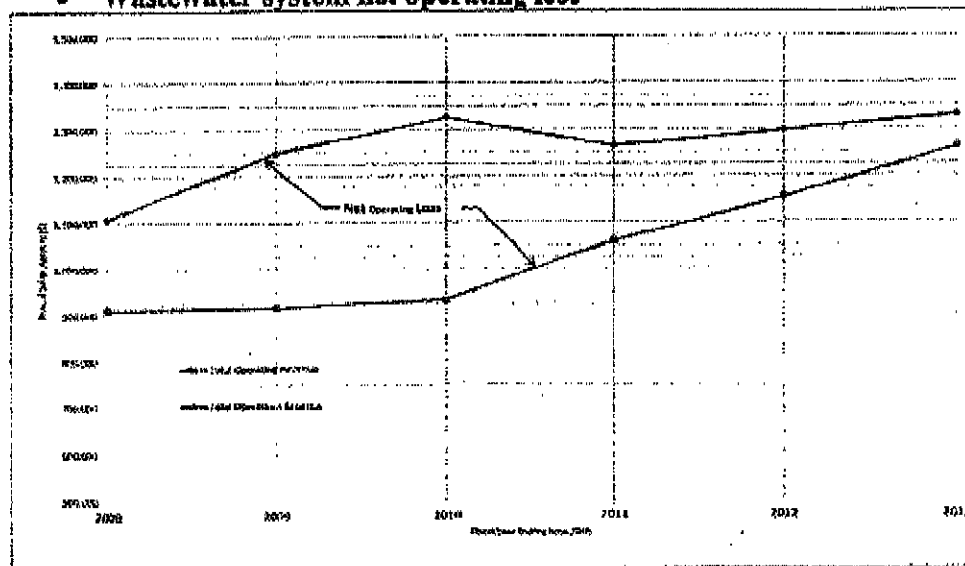
Given budget projections for the upcoming fiscal year, LUC faces a substantial net loss without an 8% sewer rate increase. Payments of \$114,162.31 on August 1, 2013 and \$179,648.13 on February 1, 2014 will be due KRWFC. LUC has diligently worked to have one of the lowest sewer rates of any public utility.

Why is this rate increase needed?

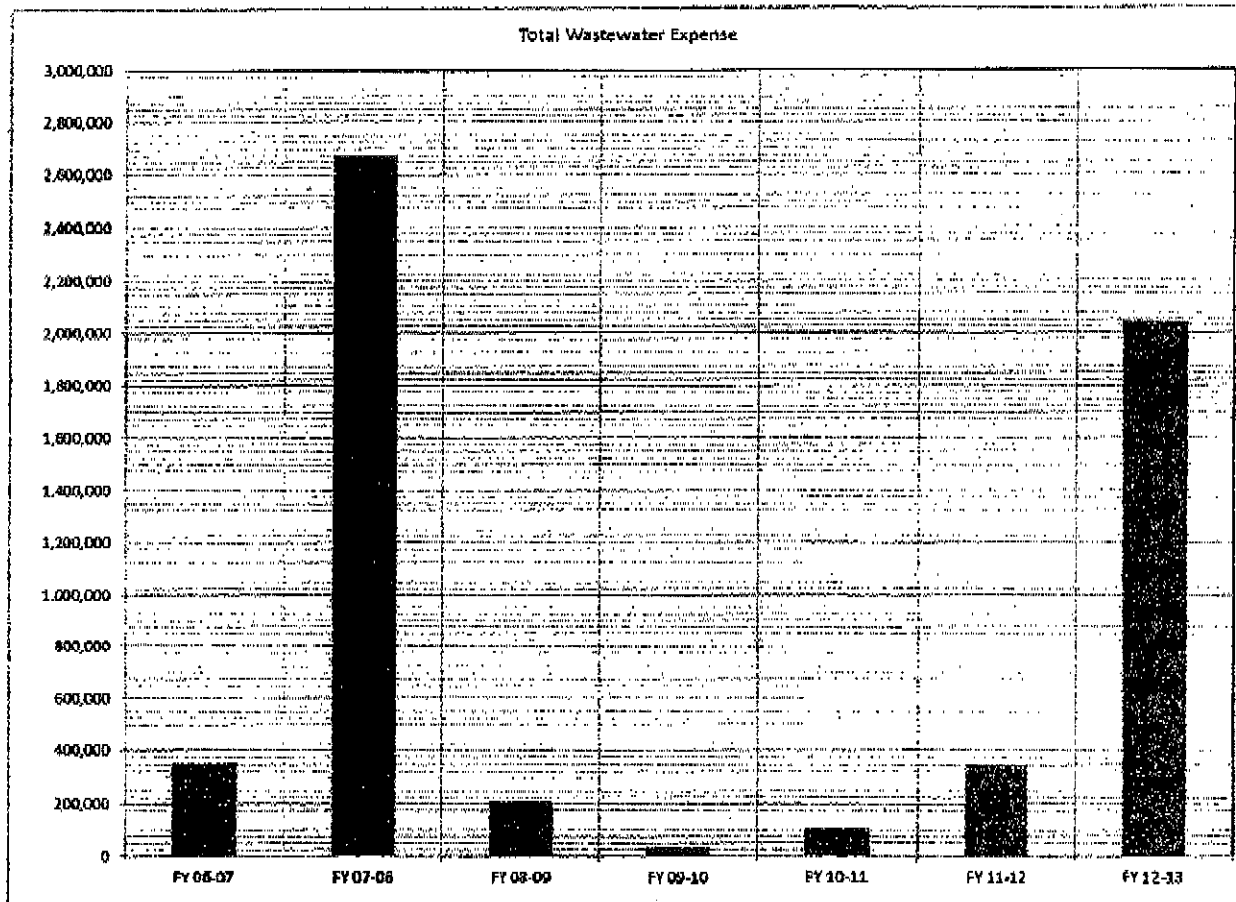
- Payback loan with KRWFC for treatment plant expansion
- Interest expense increased \$110,000 this fiscal year



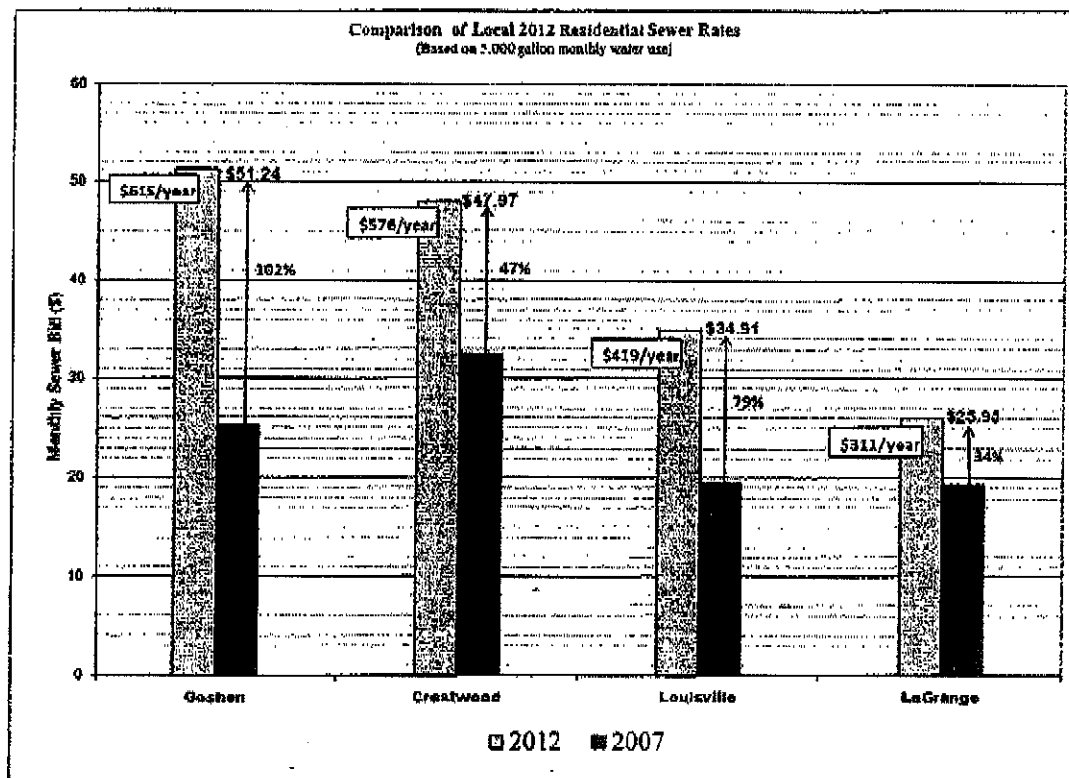
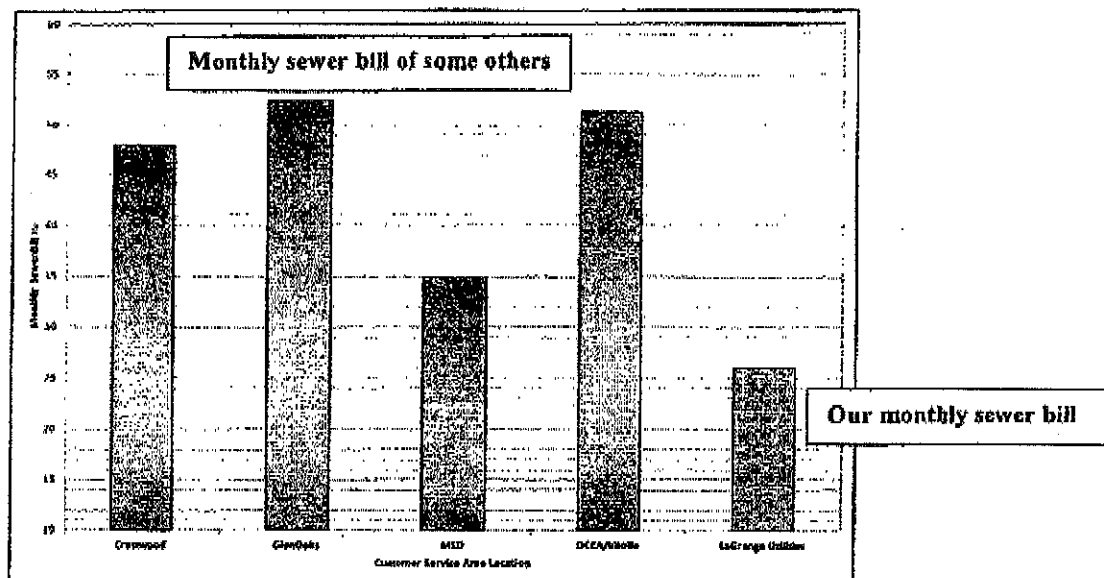
• Wastewater system net operating loss



Due to State requirements \$5.7 million spent on wastewater system in past 7 years and additional projects are underway to eliminate sanitary sewer overflows as required by the Agreed Order with the State Division of Enforcement.

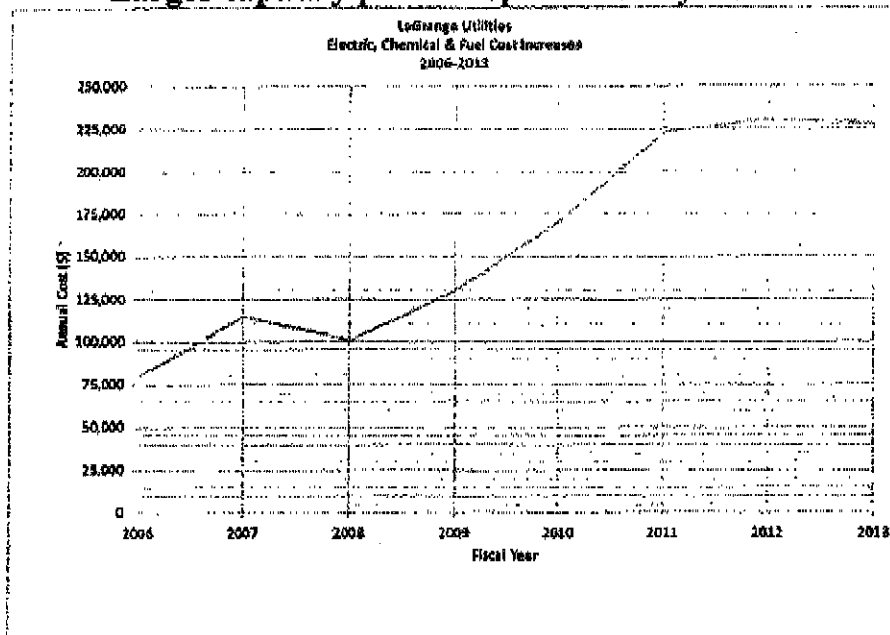


How do our rates compare with others around us?



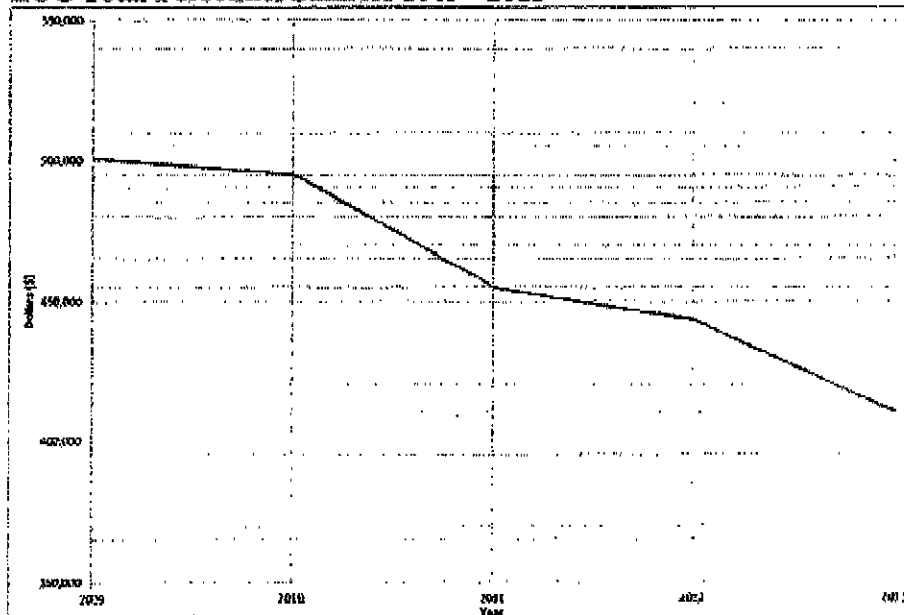
State average monthly sewer bill for 5,000 gallon water use is \$33.68

- Treatment plant operating cost increases
- Larger capacity plant to operate next year



Reduction in total salaries has helped

LUC Total Personnel Salaries 2009 - 2013



8% Sewer Rate Increase Proposal – July 2013

Fiscal year July 1, 2013 to June 30, 2014 revenue from sewer service charges	\$1,301,715
Sewer connection fees	194,900
Capital contributions	7,244
Wastewater treatment charges	33,848
Penalties on late payments	24,821
Inspection fees & other income	<u>9,470</u>
Total Sewer Revenue	\$1,571,998
Less budgeted operating expenses	(718,364)
Less budgeted administrative & general expenses	<u>(115,956)</u>
Net Income	\$737,678
Depreciation	\$528,240
Interest on current debt payment	93,824
Interest on treatment plant improvement debt payment	<u>193,810</u>
Total Fixed Expenses	\$815,874
Net Loss	(\$78,196)

Impact on residential sewer rates

	Current	Proposed	Difference (%)
Base Amount	8.99	9.71	8.0
First 1000	2.35	2.54	8.0
Next 1000	2.87	3.10	8.0
Next 13000	4.13	4.46	8.0
over 15000	3.01	3.25	8.0
Monthly Rate	\$8.99	\$9.71	
(4,500 gal./mo. user)	<u>15.55</u>	<u>16.79</u>	
	\$24.54	\$26.50	8.0 %
Increase to average user per month:		<u>\$1.96</u>	
Increase to average user per year:		<u>\$23.51</u>	

Estimated increase to annual sewer service charges: \$137,197